

Message Text

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ACTION EB-08

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E.O. 11652: N/A
TAGS: BEXP, EAIR, RP
SUBJECT: OBSTACLES TO EXPORT OF U.S. GENERAL AVIATION
AIRCRAFT

REF: (A) 76 STATE 138441, (B) 76 MANILA 8170, 8355, 10750

1. SUMMARY. CESSNA REPS HAVE DISCUSSED GOP OBSTACLES TO IMPORTS OF U.S. GENERAL AVIATION AIRCRAFT AND ASKED WHETHER USG COULD TAKE IT UP AS NTB IN TRADE TALKS. THEY WERE REFEREED TO THE DEPARTMENT AND STR. END SUMMARY.

2. MICHAEL A. LORD, CESSNA REGIONAL SALES MANAGER, AND FRANK MCQUOID OF HELI ORIENT WHICH IS LOCAL AGENT FOR CESSNA, CALLED AT EMBASSY APRIL 24 TO REVIEW SITUATION CREATED BY LETTER OF INSTRUCTIONS (LOI) NO. 343 OF DECEMBER 4, 1975. LOI 343 PROVIDED THAT "NO IMPORTATION OF ANY AIRCRAFT SIMILAR IN TYPE OR CATEGORY TO THE BRITTEN-NORMAND ISLANDER (BNI) AIRCRAFT SHALL BE ALLOWED UNLESS CERTIFIED BY THE PHILIPPINE AEROSPACE DEVELOPMENT CORPORATION (PADC) AS NECESSARY AND NOT IN CONFLICT WITH THE AFOREMENTIONED PROGRAM (OF BNI ASSEMBLY BY PADC)".

3. IN 1976 THE EMBASSY SOUGHT TO HAVE PADC APPLY THE LOI
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"FAIRLY AND LIBERALLY", BUT PADC PRESIDENT ROBERTO LIM TOOK UMBRAGE AT OUR APPROACH. PHILIPPINE LOCAL AGENTS, PARTICULARLY LIBERTY AVIATION (FOR BEECH), THEN DECIDED TO WORK OUT SOME SORT OF FILIPINO SOLUTION. IN 1977 THEY GOT NEDA TO HOLD PUBLIC HEARINGS WHICH PETERED OUT INCONCLUSIVELY AS LIM, WITH THE HELP OF NATIONALISTIC-MINDED BUREAUCRATS, MANAGED TO MAINTAIN THE STATUS QUO IN HIS

FAVOR.

4. LIM'S STRATEGY OF WITHHOLDING APPROVAL FOR OTHER AIRCRAFT IN ORDER TO FORCE PURCHASERS TO TURN TO THE BRITTEN-NORMAND ISLANDER HAS BACKFIRED. POTENTIAL PURCHASERS REFUSED TO BUY AN INFERIOR AIRCRAFT AT A HIGHER PRICE AND SIMPLY STAYED OUT OF THE MARKET. ON OTHER HAND, INFLENTIAL PURCHASERS HAD NO DIFFICULTY IN GETTING THEIR APPLICATIONS APPROVED. IN THE MEANTIME, BRITTEN-NORMAND HAS GONE OUT OF BUSINESS AND PADC HAS 25 UNSOLD ISLANDERS ON HAND.

5. IN THESE CIRCUMSTANCES PADC HAS BEEN RELAXING ITS ATTITUDE SOMEWHAT IN THE LAST THREE OR FOUR MONTHS, AND HAS BEEN APPROVING A FEW APPLICATIONS. PADC HAS ALWAYS PERMITTED THE IMPORTATION OF SINGLE ENGINE AIRCRAFT. THE SITUATION, HOWEVER, IS UNSATISFACTORY TO CESSNA AND BEECH AS THE MARKET FOR TWIN ENGINES HAS SHRUNK FROM ABOUT 15 UNITS A YEAR WORTH 10 MILLION DOLLARS TO ABOUT THREE A YEAR.

6. MESSRS. LORD AND MCQUOID ASKED WHETHER THE NON-TARIFF BARRIER IN LOI 343 COULD BE TAKEN UP IN THE TRADE TALKS. EMBOFF STATED THAT CURRENT TRADE TALKS ARE IN THE MTN FORUM BUT CESSNA WAS A LITTLE LATE IN BRINGING IT UP. IN ANY CASE, CESSNA HAS TO MAKE ITS CASE TO THE DEPARTMENT LIMITED OFFICIAL USE

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MENT AND STR. LORD SAID HE WOULD HAVE CESSNA OR THE GENERAL AIRCRAFT MANUFACTURERS ASSOCIATION APPROACH THE DEPARTMENT.

7. COMMENT. PROBLEM WAS INITIATED BY HELI ORIENT WHICH SOLD PADC ON THE BRITTEN-NORMAND ISLANDER PROGRAM. HELI ORIENT STILL REPRESENTS BRITTEN-NORMAND, BUT ADMITS ITS COMPLICITY IN CREATING THE PROBLEM. IN ANY CASE, AS LONG AS LIM IS HEAD OF PADC, WE SEE LITTLE CHANCE OF MAKING HEADWAY, UNLESS WE UNDERTAKE PUNITIVE ACTION. STULL

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